

COACHELLA VALLEY
CONSERVATION COMMISSION

Financial Statements

Year ended June 30, 2011

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COACHELLA VALLEY CONSERVATION COMMISSION

Financial Statements

Year ended June 30, 2011

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Palm Desert, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Coachella Valley Conservation Commission ("Commission") as of and for the year ended June 30, 2011, which collectively comprise the basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the Commission. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the Commission for the year ended June 30, 2010, and in our report dated February 23, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission, as of June 30, 2011, and the respective changes in financial position of the Commission in conformity with accounting principles generally accepted in the United States of America.

As described further in note 1 to the financial statements, the accompanying financial statements reflect certain changes in the reporting of fund types and fund balance classifications for governmental funds due to the implementation of GASB Statement No. 54.

The information identified in the accompanying table of contents as *management's discussion and analysis* and *required supplementary information* is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 2, 2012 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Mayer Hoffman McCann P.C.

Irvine, California
February 2, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of Coachella Valley Conservation Commission (CVCC) provides an overview of CVCC's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the financial statements identified in the accompanying table of contents.

Using the Accompanying Financial Statements

This annual report consists of a series of financial statements. The *Statement of Net Assets* and the *Statement of Activities* provide information about the activities of CVCC as a whole and present a longer-term view of CVCC's finances. Also included in the accompanying report are the *fund financial statements*. The fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report CVCC's operations in more detail than the government-wide statements by providing information about CVCC's most significant funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

The annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The *basic financial statements* include two kinds of statements that present different views of CVCC:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about CVCC's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of CVCC government, reporting CVCC's operations in *more detail* than the government-wide statements.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that provided additional financial and budgetary information.

Reporting CVCC as a Whole

The accompanying **government-wide financial statements** include two statements that present financial data for CVCC as a whole. One of the most important questions asked about CVCC's finances is, "Is CVCC as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about CVCC as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report CVCC's net assets and changes in them. You can think of CVCC's net assets – the difference between assets and liabilities – as one way to measure CVCC's financial health, or *financial position*. Over time, *increases and decreases* in CVCC's net assets are one indicator of whether its *financial health* is improving or deteriorating.

Reporting CVCC's Major Funds

The **fund financial statements** provide detailed information about CVCC's most significant funds – not CVCC as a whole. Some funds are required to be established by grant or legal requirements. However, the Commission establishes other funds to help it control and manage money for particular purposes or to show that it is meeting administrative responsibilities for using certain resources.

Governmental funds – CVCC's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *current financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of CVCC's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance CVCC's programs.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

Statements of Net Assets

	Fiscal Year 2011	Fiscal Year 2010	Dollar Change	Total Percent Change
Assets:				
Cash and investments (note 2)	\$ 3,678,966	\$ 2,246,819	\$ 1,432,147	63.7%
Interest receivable	5,189	5,146	43	0.8%
Due from other governments	776,063	835,115	(59,052)	7.1%
Deposits	50,327	3,583	46,744	1,304.6%
Capital assets (note 5):				
Capital assets, not depreciated	<u>30,126,990</u>	<u>15,122,706</u>	<u>15,004,284</u>	99.2%
Total Assets	<u>34,637,535</u>	<u>18,213,369</u>	<u>16,424,166</u>	90.2%
Liabilities:				
Accounts payable	33,367	73,135	(39,768)	(54.4)%
Due to other governments	<u>105,744</u>	<u>349,925</u>	<u>(244,181)</u>	(69.8)%
Total Liabilities	<u>139,111</u>	<u>423,060</u>	<u>(283,949)</u>	(67.1)%
Net Assets:				
Invested in capital assets	30,126,990	15,122,706	15,004,284	99.2%
Management and monitoring	72,685	-	72,685	100.0%
Land acquisition	1,053,259	362,977	690,282	190.2%
Endowment	<u>3,245,490</u>	<u>2,304,626</u>	<u>940,864</u>	40.8%
Total Net Assets	<u>\$ 34,498,424</u>	<u>\$ 17,790,309</u>	<u>\$ 16,708,115</u>	93.9%

A summary of the government-wide *statement of activities* follows:

Statements of Activities

	Fiscal Year 2011	Fiscal Year 2010	Dollar Change	Total Percent Change
Operating Expenses:				
Administrative	\$ 467,482	\$ 411,132	\$ 56,350	13.7%
Biological monitoring and land management program	<u>763,085</u>	<u>779,489</u>	<u>(16,404)</u>	(2.1)%
Total Expenses	<u>1,230,567</u>	<u>1,190,621</u>	<u>39,946</u>	3.4%
Program Revenues:				
Operating contributions and grants	1,907,146	1,927,717	(20,571)	(1.1)%
Capital contributions and grants	16,007,084	13,810,220	2,196,864	15.9%
General Revenues:				
Interest income	23,452	25,407	(1,955)	(7.7)%
Other revenues	<u>1,000</u>	<u>400,100</u>	<u>(399,100)</u>	(99.8)%
Total Revenues	<u>17,938,682</u>	<u>16,163,444</u>	<u>1,775,238</u>	11.0%
Changes in Net Assets	16,708,115	14,972,823	1,735,292	11.6%
Net Assets - Beginning of Year	<u>17,790,309</u>	<u>2,817,486</u>	<u>14,972,823</u>	531.4%
Net Assets - End of Year	<u>\$ 34,498,424</u>	<u>\$ 17,790,309</u>	<u>\$ 16,708,115</u>	93.9%

The increase or decrease in net assets can provide an indication as to whether the overall financial position of CVCC improved or deteriorated during the year. Net assets of CVCC's governmental activities increased by 93.9% (\$34.50M compared to \$17.79M). The net assets of CVCC changed as a result of the revenue and expense fluctuations and also capital assets described below for the activities of CVCC.

MAJOR FUNDS

General Fund – The General Fund accounts for all of the general revenues of CVCC not specifically levied or collected for some special purpose, and for the expenditures related to the rendering of general services by CVCC. At the end of the current fiscal year, restricted fund balance of the general fund was \$2,939,539.

The reasons for significant amounts in the revenues and expenditures of CVCC's General Fund are as follows:

- Agencies mitigation fees in the amount of \$1,442,612 were received from three agencies contributing toward the Coachella Valley Multiple Species Habitat Conservation Plan (CVMSHCP).
- Professional services expenditure decreased by \$17,463 mainly due to a decrease in legal services solicited.

Management And Monitoring Fund – The Management and Monitoring Fund accounts for the revenues associated with implementation of the land management program and the biological monitoring program for the CVMSHCP. At the end of the current fiscal year, the total fund balance was \$72,685.

The reasons for significant amounts in the revenues and expenditures of CVCC's Management and Monitoring Fund are as follows:

- Various grants totaling \$89,000 were received to assist in the costs of biological studies.
- Consultants expenditures increased by \$149,772 because the amount of land owned by CVCC has increased and thus the required management and monitoring services correspondingly increased.

Land Acquisition Fund – The Land Acquisition Fund accounts for the revenues generated by the Local Development Mitigation Fee (LDMF) and mitigation contributions from various agencies. At the end of the current fiscal year, the total fund balance was \$1,053,259.

The reasons for significant amounts in the revenues and expenditures of CVCC's Land Acquisition Fund are as follows:

- Agencies mitigation fees decreased by \$4,643,851 because CVCC did not require as much funds from an agency contributing toward the CVMSHCP as in the prior fiscal year for land purchases.
- Contributions increased by \$4,035,598 due to as an agency donating land to CVCC.
- Grants increased by \$2,355,000 as funds from the State and Federal governments for land acquisitions within the conservation area were utilized more in the current fiscal year..
- Consultants expense of \$344,877 was incurred for services relating to land acquisitions, for land management, for updating the LDMF program as well as to CVAG for coordinating and administering the implementation of the CVMSHCP.
- Capital outlay expense increased by \$1,324,076 due to the continuing efforts to acquire land within the conservation area.

Lizard Endowment Fund – The Lizard Endowment Fund accounts for the revenues associated with the Coachella Valley Fringe-Toed Lizard (CVFTL) endowment. At the end of the current fiscal year, the total fund balance was \$305,951.

CAPITAL ASSETS

Capital Assets
(not being depreciated)

	<u>Balance</u> <u>June 30, 2011</u>	<u>Balance</u> <u>June 30, 2010</u>	<u>Increase</u>
Land	\$ 30,126,990	\$ 15,122,706	\$ 15,004,284
Total	<u>\$ 30,126,990</u>	<u>\$ 15,122,706</u>	<u>\$ 15,004,284</u>

The major additions to capital assets were land acquisitions within the conservation area.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, members, and resource providers with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact CVCC's Office, attention Auditor, at 73710 Fred Waring Drive, Suite 200, Palm Desert, California 92260.

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BASIC FINANCIAL STATEMENTS

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COACHELLA VALLEY CONSERVATION COMMISSION

Statement of Net Assets

June 30, 2011

	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Assets:		
Cash and investments (note 2)	\$ 3,678,966	2,246,819
Deposits	50,327	3,583
Interest receivable	5,189	5,146
Due from other governments	776,063	835,115
Capital assets (note 5):		
Capital assets, not depreciated	<u>30,126,990</u>	<u>15,122,706</u>
Total assets	<u>34,637,535</u>	<u>18,213,369</u>
Liabilities:		
Accounts payable	33,367	73,135
Due to other governments	<u>105,744</u>	<u>349,925</u>
Total liabilities	<u>139,111</u>	<u>423,060</u>
Net assets:		
Invested in capital asset	30,126,990	15,122,706
Management and monitoring	72,685	-
Land acquisition	1,053,259	362,977
Endowment	<u>3,245,490</u>	<u>2,304,626</u>
Total net assets	<u>\$ 34,498,424</u>	<u>17,790,309</u>

See accompanying notes to the basic financial statements.

COACHELLA VALLEY CONSERVATION COMMISSION

Statement of Activities

Year ended June 30, 2011

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net Governmental Activities</u>	
		<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>	<u>2011</u>	<u>2010</u>
Governmental activities:					
Administrative	\$ 467,482	1,818,146	-	1,350,664	1,449,594
Biological monitoring and land management program	<u>763,085</u>	<u>89,000</u>	<u>16,007,084</u>	<u>15,332,999</u>	<u>13,097,722</u>
Total governmental activities	<u>\$ 1,230,567</u>	<u>1,907,146</u>	<u>16,007,084</u>	<u>16,683,663</u>	<u>14,547,316</u>
General revenues:					
Investment income				23,452	25,407
Other revenues				<u>1,000</u>	<u>400,100</u>
Total general revenues				<u>24,452</u>	<u>425,507</u>
Change in net assets				16,708,115	14,972,823
Net assets at beginning of year				<u>17,790,309</u>	<u>2,817,486</u>
Net assets at end of year				<u>\$ 34,498,424</u>	<u>17,790,309</u>

See accompanying notes to the basic financial statements.

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COACHELLA VALLEY CONSERVATION COMMISSION

Governmental Funds - Balance Sheet

June 30, 2011

	General Fund	Special Revenue	
		Management and Monitoring	Land Acquisition
<u>Assets</u>			
Assets:			
Cash and investments	\$ 2,352,048	72,825	948,561
Deposits	-	-	50,327
Interest receivable	3,501	100	1,169
Due from other governments	690,830	-	85,233
Due from other funds (note 3)	-	37,138	-
Total assets	<u>\$ 3,046,379</u>	<u>110,063</u>	<u>1,085,290</u>
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts payable	\$ 178	32,554	635
Due to other governments	69,524	4,824	31,396
Due to other funds (note 3)	37,138	-	-
Total liabilities	<u>106,840</u>	<u>37,378</u>	<u>32,031</u>
Fund balances:			
Restricted for:			
Management and monitoring	-	72,685	-
Land acquisition	-	-	1,053,259
Endowment	2,939,539	-	-
Total fund balances	<u>2,939,539</u>	<u>72,685</u>	<u>1,053,259</u>
Total liabilities and fund balances	<u>\$ 3,046,379</u>	<u>110,063</u>	<u>1,085,290</u>

See accompanying notes to basic financial statements.

Special Revenue	Totals	
Lizard Endowment	2011	2010
305,532	3,678,966	2,246,819
-	50,327	3,583
419	5,189	5,146
-	776,063	835,115
-	37,138	85,840
<u>305,951</u>	<u>4,547,683</u>	<u>3,176,503</u>
-	33,367	73,135
-	105,744	349,925
-	37,138	85,840
<u>-</u>	<u>176,249</u>	<u>508,900</u>
-	72,685	-
-	1,053,259	362,977
<u>305,951</u>	<u>3,245,490</u>	<u>2,304,626</u>
<u>305,951</u>	<u>4,371,434</u>	<u>2,667,603</u>
<u>305,951</u>	<u>4,547,683</u>	<u>3,176,503</u>

COACHELLA VALLEY CONSERVATION COMMISSION
Governmental Funds

Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Assets

June 30, 2011

Fund balances of governmental funds	\$ 4,371,434
Amounts reported for governmental activities in the statement of net assets are different because:	
Land has not been recorded as assets in the governmental fund financial statements.	<u>30,126,990</u>
Net assets of governmental activities	<u>\$ 34,498,424</u>

See accompanying notes to the basic financial statements.

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COACHELLA VALLEY CONSERVATION COMMISSION

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2011

	General Fund	Special Revenue	
		Management and Monitoring	Land Acquisition
Revenues:			
Development mitigation fees	\$ -	-	960,984
Agencies mitigation fees	1,442,612	-	2,326,300
Tipping fees	375,534	-	-
Contributions	-	-	8,964,800
Grants	-	89,000	3,755,000
Investment income	17,257	403	3,867
Miscellaneous	-	-	1,000
Total revenues	<u>1,835,403</u>	<u>89,403</u>	<u>16,011,951</u>
Expenditures:			
Administrative fees	-	-	9,610
Insurance	11,932	-	-
Per diem	6,675	-	-
General and office expenses	1,286	-	-
Professional services	56,523	-	9,250
Consultants	391,066	445,700	298,525
Capital outlay	-	-	15,004,284
Total expenditures	<u>467,482</u>	<u>445,700</u>	<u>15,321,669</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,367,921</u>	<u>(356,297)</u>	<u>690,282</u>
Other financing sources (uses):			
Transfers in (note 4)	-	428,982	-
Transfers out (note 4)	<u>(428,982)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(428,982)</u>	<u>428,982</u>	<u>-</u>
Net change in fund balances	938,939	72,685	690,282
Fund balances at beginning of year	<u>2,000,600</u>	<u>-</u>	<u>362,977</u>
Fund balances at end of year	<u>\$ 2,939,539</u>	<u>72,685</u>	<u>1,053,259</u>

See accompanying notes to basic financial statements.

<u>Special Revenue</u>		
<u>Lizard Endowment</u>	<u>Totals</u>	
	<u>2011</u>	<u>2010</u>
-	960,984	510,867
-	3,768,912	8,454,740
-	375,534	376,137
-	8,964,800	4,929,202
-	3,844,000	1,466,991
1,925	23,452	25,408
-	1,000	399,483
<u>1,925</u>	<u>17,938,682</u>	<u>16,162,828</u>
-	9,610	5,135
-	11,932	8,287
-	6,675	9,000
-	1,286	1,784
-	65,773	143,568
-	1,135,291	1,022,231
-	<u>15,004,284</u>	<u>13,680,208</u>
-	<u>16,234,851</u>	<u>14,870,213</u>
<u>1,925</u>	<u>1,703,831</u>	<u>1,292,615</u>
-	428,982	327,008
-	<u>(428,982)</u>	<u>(327,008)</u>
-	-	-
1,925	1,703,831	1,292,615
<u>304,026</u>	<u>2,667,603</u>	<u>1,374,988</u>
<u>305,951</u>	<u>4,371,434</u>	<u>2,667,603</u>

COACHELLA VALLEY CONSERVATION COMMISSION

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities

Year ended June 30, 2011

Net changes in fund balances - total governmental funds	\$ 1,703,831
Amounts reported for governmental activities in the Statement of Activities are different because:	
When capital assets owned by the Commission are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$15,004,284) exceeded depreciation (\$0) in the current period.	<u>15,004,284</u>
Changes in net assets of governmental activities	<u>\$ 16,708,115</u>

See accompanying notes to the basic financial statements.

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

Year ended June 30, 2011

1. Summary of Significant Accounting Policies

a. Description of Reporting Entity:

The Coachella Valley Conservation Commission (Commission) was formed under California's Joint Powers Law on December 1, 2005 for the purpose of overseeing and administering the Coachella Valley Multiple Species Habitat Conservation Plan (the CVMSHCP), a regional habitat conservation plan which balances conservation of rare and endangered species and development on an area-wide and regional basis under Section 6500 et. seq. of the Government Code. The Commission's members are the Cities of Cathedral City, Coachella, Desert Hot Springs, Indian Wells, Indio, La Quinta, Palm Desert, Palm Springs, Rancho Mirage, Coachella Valley Water District and Imperial Irrigation District. Nonvoting participants of the Commission are Coachella Valley Association of Governments, Riverside County Flood Control and Water Conservation District, Riverside County Regional Parks and Open Space District and Riverside County Waste Management District.

The CVMSHCP is a long-term habitat conservation plan permitted by the California Department of Fish and Game as of September 9, 2008 and the United States Fish and Wildlife Services as of October 1, 2008 under the authority of the state and federal Endangered Species Acts. Although the Commission was formed as an independent joint powers authority prior to issuance of the state and federal permits for the CVMSHCP, it did not begin functioning as an independent agency until October 2008. With the approval of the CVMSHCP permits, funding for the activities of the Commission, including land acquisition, land management and biological monitoring, became available as of October 1, 2008.

With the CVMSHCP, over 240,000 acres of open space will be protected as well as 27 species of plants and animals that are threatened or facing extinction. The Commission is also empowered to acquire land and administer grant programs to not-for-profit programs and Permittees to conserve lands that contribute to the CVMSHCP's reserves, and to coordinate conservation easement agreements with landowners, seek grants and other funding sources to assist with acquisition, and coordinate with other state and federal acquisition programs in the CVMSHCP's area to ensure efficiency and consistency among acquisition programs. The basic financial statements of the Commission include all activities for which the Commission is financially accountable.

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies (Continued)

Major sources of revenue for the Commission include a local development mitigation fee collected on new development, tipping fees from Riverside County landfills, and regional infrastructure mitigation funds from various agencies, including the Coachella Valley Association of Governments, Coachella Valley Water District and Imperial Irrigation District. Other funding sources may be identified in subsequent years.

b. Government-wide and Fund Financial Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information about the reporting government as a whole, except for its fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on charges for services. Likewise, the primary government (including its blended component units) is reported separately from discretely presented component units for which the primary government is financially accountable. The Commission has no business-type activities, fiduciary activities, or component units.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances have been eliminated for purposes of the Statement of Net Assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies (Continued)

b. Government-wide and Fund Financial Statements (Continued):

The underlying accounting system of the Commission is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Separate financial statements for the Commission's governmental funds are presented after the Government-wide Financial Statements. These statements display information about major funds individually and other governmental funds in the aggregate. All of the Commission's funds are considered major funds.

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The Government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transaction are recognized in accordance with the requirements of GASB Statement No. 33.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies (Continued)

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued):

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the current financial resources measurement focus, only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources". Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. Noncurrent portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. However, special reporting treatments are used to indicate that they should not be considered "available spendable resources" since they do not represent net current assets. Recognition of governmental fund type revenue represented by noncurrent receivables is deferred until they become current receivables. Noncurrent portions of other long-term receivables are offset by fund balance reserve accounts.

Under the modified accrual basis of accounting, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, except for principal and interest on long-term liabilities, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term liabilities are reported as other financing sources.

The governmental activities follow FASB Statements and interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies (Continued)

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation
(Continued):

Governmental Fund Balances:

The accompanying financial statements reflect certain changes that have been made with respect to the reporting of the components of fund balances for governmental funds. In previous years, fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance.

Due to the implementation of GASB No. 54, the components of the fund balances of governmental funds now reflect the component classifications described below. Prior year amounts have been restated to reflect the component designations required by GASB No. 54.

Fund balances are reported in the fund statements in the following classifications:

Nonspendable Fund Balance:

Nonspendable Fund Balance – this includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

Spendable Fund Balance:

Restricted Fund Balance – this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies (Continued)

c. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued):

Committed Fund Balance – this includes amounts that can be used only for the specific purposes determined by a formal action of the Commission. It includes legislation (Commission action) that can only be overturned by new legislation requiring the same type of voting consensus that created the original action. Therefore, if the Commission action limiting the use of the funds is separate from the action (legislation) that created (enables) the funding source, then it is committed, not restricted. The Commission considers a resolution, an ordinance, or a minutes action to constitute a formal action of the Commission for the purposes of establishing committed fund balance.

Assigned Fund Balance – this includes amounts that are designated or expressed by the Commission, but does not require a formal action like a resolution or ordinance. The Commission may delegate the ability of an employee or committee to assign uses of specific funds, for specific purposes.

Unassigned Fund Balance – this includes the remaining spendable amounts which are not included in one of the other classifications.

It is the Commission's policy that restricted resources will be applied first, followed by (in order of application) committed, assigned, and unassigned resources, in the absence of a formal policy adopted by the Commission.

Fund Classifications

The Commission reports the following major governmental funds:

General Fund - This fund is used to account for all of the general revenues of the Commission not specifically levied or collected for special purposes, and for the expenditures related to the rendering of general services by the Commission.

Management and Monitoring Special Revenue Fund - This fund is used to account for the revenues associated with implementation of the land management program and the biological management program for the CVMSHCP. These programs are supported by grants and funds provided by various agencies to support implementation of the CVMSHCP.

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies (Continued)

- c. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued):

Land Acquisition Special Revenue Fund - This fund is used to account for the revenues generated by the Local Development Mitigation Fee (LDMF) and mitigation contributions from various agencies. These revenues are used to support the acquisition of lands by the Commission on behalf of the Local Permittees to meet the goals of the CVMSHCP.

Lizard Endowment Special Revenue Fund - This fund is used to account for the revenues associated with the Coachella Valley fringe-toed lizard endowment.

- d. Eliminations:

Inter-fund balances must generally be eliminated in the government-wide financial statements, except for net residual amounts due between governmental activities. Any allocations must reduce the expenses of the function from which the expenses are being allocated, so that expenses are reported only once - in the function in which they are allocated.

- e. Cash and Investments:

The Commission pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying financial statements as cash and investments. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance.

- f. Capital Assets:

Capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Generally, the Commission capitalizes assets with a cost in excess of \$5,000 with a useful life in excess of one year.

Capital assets used in operations are depreciated over their estimated useful lives using the straight-line method in the government-wide financial statements. Depreciation expense is charged as an expense against operations and accumulated depreciation is reported on the Statement of Net Assets.

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

1. Summary of Significant Accounting Policies (Continued)

g. Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

h. Prior Year Data:

Selected information regarding the prior year has been included in the accompanying financial statements. This information has been included for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Commission's prior year financial statements, from which this selected financial data was derived.

2. Cash and Investments

Cash and investments of the Commission consisted of the following at June 30, 2011.

Cash and deposits:	
Deposit with financial institution	\$ 54,847
Investments:	
Riverside County Pooled Investment Fund	<u>3,624,119</u>
Total cash and investments held by the Commission	<u>\$3,678,966</u>

Investments Authorized by the California Government Code and the Commission's Investment Policy

The table below identifies the investment types that are authorized for the Commission by the California Government Code (or the Commission's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the Commission's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

2. Cash and Investments, (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Obligations	3 years	None	None
United States Government Sponsored Enterprise Securities	3 years	None	None
Money Market Mutual Funds investing in United States Treasury Investments	N/A	20%	10%
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

N/A - Not Applicable

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Commission manages its exposure to interest, rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time: or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. The Commission's investment in the Riverside County Pooled Investment Fund of \$3,624,119 is available on demand.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the Commission's investment policy, or debt agreements, and the actual rating as of year end for each investment type:

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

2. Cash and Investments, (Continued)

<u>Investment</u>	Minimum Legal <u>Rating</u>	<u>Unrated</u>
Riverside County Pooled Investment Fund	N/A	\$3,624,119

N/A – Not Applicable

Investment in Riverside County Investment Pool

The Commission is a voluntary participant in the County of Riverside Treasury Pool. The fair value of the Commission's investment in this pool is reported in the accompanying financial statements at amounts based upon the Commission's pro-rata share of the fair value provided by the County for the entire County portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County.

3. Interfund Receivables and Payables

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Management and Monitoring	General Fund	\$ 37,138

Amounts loaned by the Management and Monitoring Special Revenue Fund to the General Fund represented short-term borrowings to manage cash flows.

4. Interfund Transfers

<u>Transfer In</u>	<u>Transfers Out</u>	<u>Amount</u>
Management and Monitoring	General Fund	\$428,982

The General Fund transferred \$428,982 to the Management and Monitoring Special Revenue Fund to pay for expenditures in excess of revenues received.

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

5. Capital Assets

A summary of capital asset activity for the year ended June 30, 2011 is as follows:

	<u>Balance at July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2011</u>
Capital assets, not being depreciated:				
Land	<u>\$15,122,706</u>	<u>15,004,284</u>	<u>-</u>	<u>30,126,990</u>

6. Liability, Property and Workers' Compensation Protection

Description Self-Insurance Pool Pursuant to Joint Powers Agreement:

The Commission is a member of the California Joint Powers Insurance Authority (Insurance Authority). The Insurance Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code Section 6500 et. seq. The purpose of the Insurance Authority is to arrange and administer programs for the pooling of self insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverages. The Insurance Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

Self-Insurance Programs of the Insurance Authority:

General Liability Insurance

Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are allocated to members by the following methods within each of the four layers of coverage: (1) the first \$30,000 of each occurrence is charged directly to the member's primary deposit; (2) costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000; (3) losses from \$750,000 to \$2,000,000 and the associated loss development reserves are pooled based on payroll; (4a) costs of covered claims from \$2,000,000 to \$50,000,000 are paid

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

6. Liability, Property and Workers' Compensation Protection (Continued)

under reinsurance and excess insurance policies; (4b) subject to a \$3,000,000 annual aggregate deductible; (4c) and a quota-sharing agreement whereby the Insurance Authority is financially responsible for 40% of losses occurring within the \$2,000,000 to \$10,000,000 layer. The costs associated with 4a-c are estimated using actuarial models and pre-funded as part of the primary and retrospective deposits.

The overall policy limit for each member including all layers of coverage is \$50,000,000 per occurrence. Costs of covered claims for subsidence losses are paid by excess insurance with the following sub-limits per member: \$25,000,000 per occurrence with a \$15,000,000 annual aggregate.

Adequacy of Protection:

During the period October 1, 2008 through June 30, 2011 none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in the pooled or insured liability coverage from coverage in the prior year.

7. Future Funding

Per the 2011 Local Development Mitigation Fee Nexus Study, plan implementation costs include the direct and indirect costs associated with land acquisition, the Monitoring Program, and the Management Program, including Adaptive Management. Additional costs include staff costs associated with Plan Administration. The estimated costs of Plan implementation for the Permittees over the 75-year term are \$1,708,767,000. Revenue sources to fund these costs are as follows:

Local Development Mitigation Fee	\$1,212,881,000
Conservation Trust Fund	160,432,000
Regional Road Projects and Infrastructure Mitigation	100,814,000
Interest on Investments	<u>234,640,000</u>
Total Revenues	<u>\$1,708,767,000</u>

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Basic Financial Statements

(Continued)

7. Future Funding. (Continued)

In accordance with the CVMSHCP, Coachella Valley Association of Governments has committed \$30 million of future Measure A funds, which would mitigate all the regional transportation projects listed in the current Transportation Project Prioritization Study (TPPS). Under the CVMSHCP, the \$30 million in the CVAG transportation funds would contribute to both land acquisition and the establishment of the Endowment Fund, which would ensure monitoring and management of the acquired lands. The CVMSHCP area includes 1.1 million acres, encompassing the entire Coachella Valley and the surrounding mountains. The MSHCP will benefit the local jurisdictions by providing Take Authorization for all development, including public infrastructure projects, undertaken by the Permittees (signatories to the MSHCP) outside the Conservation Areas. By providing Take Authorization for public and private development projects, the MSHCP eliminates the need for projects to conduct biological surveys and negotiate individual project mitigation with the U.S. Fish and Wildlife Service and the California Department of Fish and Game. As June 30, 2011, the outstanding commitment from CVAG is \$17,122,201. This commitment has not been recorded as a receivable because it has not met all the revenue recognition requirements.

8. Related Party Transactions

The Commission entered into a contract with Coachella Valley Association of Governments (CVAG), whereby CVAG, under the direction of the Commission, will coordinate and administer the implementation of CVMSHCP. The contract calls for the Commission to pay CVAG based upon actual staff time spent at rates not to exceed the rates paid by CVAG. The amount shall not exceed \$700,000 for fiscal year 2010-2011. During the year, CVAG incurred and charged the Commission \$614,643 of staff time and allocated administrative expenses, of which \$520,489 was paid during the year. The Balance of \$94,154 is reported in the accompanying statements as part of the due to other governments balance.

9. Budgetary Compliance

Expenditures exceeded appropriations in the following fund:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund	\$ 399,952	467,482	(67,530)

COACHELLA VALLEY CONSERVATION COMMISSION

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2011

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Agencies mitigation fees	\$ 1,448,383	1,448,383	1,442,612	(5,771)
Tipping fees	372,000	372,000	375,534	3,534
Investment income	20,500	20,500	17,257	(3,243)
Total revenues	1,840,883	1,840,883	1,835,403	(5,480)
Expenditures:				
Insurance	11,187	11,187	11,932	(745)
Per diem	6,375	6,375	6,675	(300)
General and office expenses	16,500	16,500	1,286	15,214
Professional services	79,890	79,890	56,523	23,367
Consultants	281,000	281,000	391,066	(110,066)
Capital outlay	5,000	5,000	-	5,000
Total expenditures	399,952	399,952	467,482	(67,530)
Excess (deficiency) of revenues over (under) expenditures	1,440,931	1,440,931	1,367,921	(73,010)
Other financing sources (uses):				
Transfers out	(489,000)	(489,000)	(428,982)	60,018
Total other financing sources (uses)	(489,000)	(489,000)	(428,982)	60,018
Net change in fund balances	951,931	951,931	938,939	(12,992)
Fund balance at beginning of year	2,000,600	2,000,600	2,000,600	-
Fund balances at end of year	\$ 2,952,531	2,952,531	2,939,539	(12,992)

COACHELLA VALLEY CONSERVATION COMMISSION

Management and Monitoring

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2011

	Budget		Actual	Variance with
	Original	Final		Final Budget
				Positive
				(Negative)
Revenues:				
Grants	\$ 57,000	57,000	89,000	32,000
Investment income	-	-	403	403
Total revenues	<u>57,000</u>	<u>57,000</u>	<u>89,403</u>	<u>32,403</u>
Expenditures:				
Consultants	<u>546,000</u>	<u>546,000</u>	<u>445,700</u>	<u>100,300</u>
Excess (deficiency)				
of revenues over				
(under) expenditures	<u>(489,000)</u>	<u>(489,000)</u>	<u>(356,297)</u>	<u>132,703</u>
Other financing sources (uses):				
Transfers in	<u>489,000</u>	<u>489,000</u>	<u>428,982</u>	<u>(60,018)</u>
Net change in fund balances	-	-	72,685	72,685
Fund balance at beginning of year	-	-	-	-
Fund balances at end of year	<u>\$ -</u>	<u>-</u>	<u>72,685</u>	<u>72,685</u>

COACHELLA VALLEY CONSERVATION COMMISSION

Land Acquisition

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Development mitigation fees	\$ 916,237	916,237	960,984	44,747
Agencies mitigation fees	6,272,420	6,272,420	2,326,300	(3,946,120)
Contributions	-	-	8,964,800	8,964,800
Grants	10,388,000	10,388,000	3,755,000	(6,633,000)
Investment income	4,500	4,500	3,867	(633)
Miscellaneous	-	-	1,000	1,000
Total revenues	<u>17,581,157</u>	<u>17,581,157</u>	<u>16,011,951</u>	<u>(1,569,206)</u>
Expenditures:				
Administrative fees	9,162	9,162	9,610	(448)
General and office expenses	2,000	2,000	-	2,000
Land improvement	80,000	80,000	-	80,000
Professional services	23,000	23,000	9,250	13,750
Consultants	378,000	378,000	298,525	79,475
Capital outlay	<u>16,654,420</u>	<u>16,654,420</u>	<u>15,004,284</u>	<u>1,650,136</u>
Total expenditures	<u>17,146,582</u>	<u>17,146,582</u>	<u>15,321,669</u>	<u>1,824,913</u>
Excess (deficiency) of revenues over (under) expenditures	434,575	434,575	690,282	255,707
Fund balance at beginning of year	<u>362,977</u>	<u>362,977</u>	<u>362,977</u>	-
Fund balances at end of year	<u>\$ 797,552</u>	<u>797,552</u>	<u>1,053,259</u>	<u>255,707</u>

COACHELLA VALLEY CONSERVATION COMMISSION

Lizard Endowment

Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual

Year ended June 30, 2011

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment income	\$ 3,000	3,000	1,925	(1,075)
Net change in fund balances	3,000	3,000	1,925	(1,075)
Fund balance at beginning of year	304,026	304,026	304,026	-
Fund balances at end of year	<u>\$ 307,026</u>	<u>307,026</u>	<u>305,951</u>	<u>(1,075)</u>

COACHELLA VALLEY CONSERVATION COMMISSION

Notes to Required Supplementary Information

(Continued)

1. Budgets & Budgetary Accounting

The Commission adopts an annual budget prepared on the modified accrual basis of accounting for its governmental funds. The Executive Director or his designee is authorized to transfer budgeted amounts between the accounts of any department. Revisions that alter the total appropriations of any department or fund are approved by the Executive Committee. Prior year appropriations lapse unless they are approved for carryover into the following fiscal year. Expenditures may not legally exceed appropriations at the department level. Reserves for encumbrances are not recorded by the Commission.